

# **FISCAL NOTE**

## **HB 222 - SB 683**

March 10, 2005

**SUMMARY OF BILL:** Exempts the purchase of water used to aid in the growth and development of seeds, seedlings, or plants from state and local sales tax.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$69,000 One-Time**  
**Decrease State Revenues - Exceeds \$60,000 Recurring**

**Decrease Local Govt. Revenues - Exceeds \$19,500 Recurring**

#### Assumptions:

- Based on information obtained from the 2002 U.S. Census of Agriculture, Tennessee farmers used approximately 43.5 million cubic-feet of water for crops.
- Average price a cubic-foot of water is \$0.02.
- Estimated tax base is approximately \$870,000 (43.5 million cubic-feet of water used X \$0.02 price = \$870,000).
- Decrease in state sales tax collections estimated to exceed \$60,000 per year (\$870,000 tax base X 7% state rate = \$60,900).
- Decrease in local option sales tax collections estimated to exceed \$19,500 per year (\$870,000 tax base X 2.25% local option rate = \$19,575).
- Computer programming and software modifications would be required in the Department of Revenue estimated to cost approximately \$69,000.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James W. White, Executive Director